

IN THE MATTER OF THE MULTI-STATE)
EXAMINATION OF AMERICAN BANKERS)
INSURANCE GROUP, INC.)

No. D98-78
CONSENT ORDER

Whereas twenty-one (21) jurisdictions began this multi-state examination and additional states have joined;
and

Whereas, on May 11, 1998, this multi-state examination commenced; and

Whereas, the multi-state examination has reviewed and analyzed the market conduct examination reports,
legal actions and other regulatory actions of the several states; and

Whereas, ABIG acknowledges that there have been allegations of violations of insurance laws and
regulations made against ABIG by several states, and while ABIG denies participation, in violations of
insurance laws or regulations, ABIG desires to avoid the disruption of ABIG's, and ABIG's clients and
vendors, business activities by further regulatory activities and the uncertainty of possible enforcement
proceedings and is willing and is desirous to resolve all pending matters in this multi-state examination and
certain other matters of specific states as agreed to by those individuals states by providing reasonable
changes in ABIG's conduct; and

Whereas, in accordance with one of the stated objectives of the several states to develop a Compliance Plan,
the multi-state examination has reviewed ABIG's Compliance Plan and incorporated appropriate changes;
and

Whereas the several states accept ABIG's offer to abide by the Compliance Plan, as amended by the states,
and is anticipated to provide fair and reasonable market practices to the residents of the several states; and

Whereas, the several states also intend to assess a monetary sanction against ABIG for past conduct as
evidenced by the individual state examination reports, legal proceedings and other regulatory actions of the
several states and to ensure future compliance with all insurance laws and regulations of the respective
states; and

Whereas, ABIG understands and agrees that by entering into this Consent Order, ABIG waives any and all
rights to notice and hearing except as provided by paragraphs A. and B. of item 3 below.

Whereas, for other good cause shown;

It is on this 23rd date of November 1998, stipulated and agreed upon by and between the several
states and ABIG and ordered as follows:

1. Compliance Plan ABIG agrees to implement a broad
compliance plan in accordance with, and subject to, the provisions of the attached COMPLIANCE PLAN
dated November 23, 1998, and attached hereto as Exhibit A of the Consent Order and all the terms of which
are fully incorporated herein. The Compliance Plan shall be liberally interpreted in favor of the states and
the residents thereof. The Compliance Plan shall be implemented as soon as possible and ABIG shall be in
full and complete compliance with the Compliance Plan on, or before, the date set for the re-examination in
clause 3.B. below. The Compliance Plan may only be modified or amended by the mutual written consent
of the states and ABIG in the respective jurisdictions.

2. Restitution Through the implementation of the Compliance Plan and review of recent market conduct examination reports, where excess premiums have been charged over filed or authorized rates, refunds not paid, or less than appropriate claims payments were made for valid claims, ABIG or ABIG's related entities shall conduct an audit of all such transactions during a period from May, 1997 through the effective date of this Consent Order and shall pay appropriate refunds or additional claim payments as so identified within a reasonable time after making such determination..

3. Monetary Sanction A. In accordance with the recommendations of the multi-state examination, the states hereby assess against ABIG and ABIG agrees to pay the states as a monetary sanction, the sum of \$15,000,000. Of this monetary sanction, \$12,000,000 shall be payable by individual checks to each of the participating states as apportioned by those states within ten (10) days of the effective date of the individual states executed agreement with this Consent Order. The remaining \$3,000,000 shall be payable to the states after the re-examination, referred to in paragraph B. below, but only if the states notify ABIG that it has determined that ABIG has not complied with the provisions of this Consent Order.

B. That ABIG shall submit to a re-examination on, or after, November 23, 1999. Should the results of such re-examination find that ABIG has complied with the provisions of this Consent Order, then ABIG's payment of the remaining \$3,000,000, referenced in paragraph A., hereof shall be waived by the states. Should the results of such re-examination find that ABIG has not complied with the provisions of this Consent Order, then ABIG shall pay the remaining \$3,000,000 within thirty (30) business days or unless stayed by a court of competent jurisdiction. ABIG's remedy shall be limited to a challenge of the re-examination report and payment of the remaining \$3,000,000 in a court of competent jurisdiction waiving any and all errors other than any alleged arbitrary, unreasonable or capricious action.

C. Nothing contained in this Consent Order shall prevent the states from taking any and all appropriate action should ABIG violate any provision of the insurance laws and regulations of the several states or this Consent Order. A violation of this Consent Order may cause revocation of the licensing authority of ABIG in any, or all, of the several states pursuant to the laws and regulations of the several states.

4. Reports ABIG agrees to provide monthly reports of ABIG's progress in implementing the terms of this Consent Order including, but not limited to, the Compliance Plan and any restitution, as required by the multi-state task force in a format prescribed by the states.

5. Release By entering into this Consent Order, the states and ABIG intend to resolve all the issues raised in the Compliance Plan, including any such alleged violations of laws and regulations, and this Consent Order shall be deemed a full and final resolution and release of all such alleged violations of any laws, regulations or administrative orders issued or which should have been issued by the respective states through the effective date of this Consent Order, but such release will not be final until ABIG has implemented and complied with the Compliance Plan and Consent Order.

6. Representations and Warranties

A. ABIG neither admits nor denies any liability, wrongdoing or violations in connection with this Consent Order in the case of any individual person.

B. This Consent Order shall be binding on ABIG and on the respective states executing this Consent Order.

C. Each of the signatories to this Consent Order has full and unqualified legal authority to sign this Consent Order and, where such signatory is signing on behalf of a party, to bind that party now and in the future.

D. The failure of the several states at any time to require the strict performance by ABIG of any of the terms, provisions or conditions hereof shall in no way affect the right thereafter to enforce the same, nor shall the waiver by the several states of any breach of any terms, provisions and conditions hereof be construed or deemed a waiver of any succeeding breach of any term, provision or condition thereof.

7. Applicable Law. The several states and ABIG agree that the particular substantive law of each of the individual states shall be utilized for the purpose of interpreting, applying and enforcing any provision of this Consent Order in each particular individual state: Nothing in this Consent Order enlarges, supersedes or preempts the insurance laws and regulations of any of the several states.

8. Successors and Assigns. The Consent Order shall be binding on and inure to the benefit of the several states and ABIG and their respective legal representatives, successors and assigns.

9. Defaults If ABIG defaults with respect to any obligation under this Consent Order and such default is not remedied within fifteen (15) business days following personal delivery or delivery by facsimile of a written notice specifying such default (during which period the several states and ABIG shall make reasonable efforts to amicably resolve any disputes regarding the default), the several states may seek judicial enforcement of this Consent Order.

10. Construction Clause The several states and ABIG agree that this Consent Order shall be liberally construed in favor of the public interest of the residents of the several states.

Amendment
American Bankers Insurance Group, Inc. Consent Order

Consented to in form and content except as follows:

none

AMERICAN BANKERS INSURANCE
GROUP, INC.

BY: _____

Bruce P. Camacho
Executive Vice President

Date: _____

11/20/98

Office of Insurance Commissioner
State of Washington

BY: _____

Deborah Senn
Commissioner

Date: _____

D. Coyle
Deputy Commissioner for
legal affairs

11/18/98

**AMERICAN BANKERS
INSURANCE
GROUP**

**EXHIBIT A
COMPLIANCE PLAN**

November 23, 1998

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DEFINITIONS

ABIG

shall mean the American Bankers Insurance Group, Inc. (NAIC Group 0465) and all of its insurance company subsidiaries that do business in the United States, including, but not limited to, American Bankers Insurance Company of Florida (10111), American Bankers Life Assurance Company of Florida (60275), American Reliable Insurance Company (19615), Bankers American Life Assurance Company (79936), Voyager Indemnity Insurance Company (40428), Voyager Life and Health Insurance Company (71196), Voyager Life Insurance Company (66699), Voyager Property and Casualty Insurance Company (35971) and their insurance company subsidiaries doing business in the United States but excluding Financial Insurance Exchange (18570) and Condeaux Life Insurance Company (94625).

Advertisement

Unless otherwise defined in state laws and regulations, the term advertisement or advertising shall include, but not be limited to:

- (a) Printed and published material, audio visual material, and descriptive literature of an insurer or related entity used in direct mail, newspapers, magazines, radio scripts, TV scripts, billboards and similar displays; and
- (b) Descriptive literature and sales aids of all kinds issued by an insurer, agent, producer, broker, solicitor or related entity for presentation to members of the insurance buying public, including but not limited to circulars, leaflets, booklets, depictions, illustrations, form letters and lead generating devices of all kinds as herein defined; and
- (c) Prepared sales talks, presentations and material used by agents, brokers, producers,

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solicitors or related entities whether prepared by the insurer or the agent, broker, producer, solicitor or related entity.

The term 'advertisement' includes advertising material included with a policy when the policy is delivered and material used in the solicitation of renewals and reinstatements.

Application

shall include any application form or enrollment form for coverage under any policy

Claim file

means any retrievable electronic claim file, paper claim file or combination of both

Compensation

means commissions, dividends, retrospective rate credits, service fees, expense allowances or reimbursements, gifts, furnishing of equipment, facilities, goods or services, or any other form of remuneration resulting directly from the sale of insurance.

Creditor

means the lender of money or vendor or lessor of goods, services or property, rights or privileges, for which payment is arranged through a credit transaction, or any successor to the right, title or interest of any such lender, vendor, or lessor, and an affiliate, associate or subsidiary of any of them or any director, officer or employee of any of them or any other person in any way associated with any of them.

Direct response solicitation

any offer by an insurer or related entity to persons in this state, either directly or through a third party, to effect life or health insurance coverage that enables the individual to apply or enroll for the insurance on the basis of the offer. It shall include solicitation through the individual's creditor that is receiving compensation with respect to credit life, credit health and credit involuntary unemployment insurance.

Documentation

includes, but is not limited to, all pertinent communications, transactions, notes, work papers, forms, bills and explanation of benefit forms

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relative to the claim, underwriting file or any other required situation where documentation is required to be retained or maintained.

Exception

includes any provision in a policy whereby coverage for a specified hazard is entirely eliminated; it is a statement of risk not assumed under the policy.

Insurance agent

an individual, partnership, or corporation appointed or authorized by an insurer to solicit, negotiate effect or procure a policy of insurance on ABIG's behalf. An individual, partnership, or corporation not duly licensed as an insurance agent, insurance broker, surplus lines insurance broker, or limited insurance representative who solicits, negotiates, effects or procures a policy of insurance on behalf of an insurer shall be an insurance agent within the intent of this definition and shall thereby become liable for all the duties, requirements, liabilities and penalties to which an insurance agent of such company is subject, and such company by compensating such person through any of its officers, agents, employees or related entities for soliciting, negotiating, effecting or procuring policies of insurance shall thereby accept and acknowledge such person as its agent in such transaction.

Limitation

means any provision that restricts coverage under the policy other than an exception or a reduction.

Person

means any individual, corporation, association, partnership, reciprocal exchange, interinsurer, Lloyds insurer, fraternal benefit society, or any other legal entity, engaged in the business of insurance, including an agent, a solicitor, or an adjuster and shall in addition mean any person, firm or corporation even though not engaged in the business of insurance.

Personal solicitation

means any contact by an agent, or any person acting on behalf of an agent, made for the purpose of selling or attempting to sell insurance, when either the agent or a person acting for the agent contacts the buyer by telephone or in person.

Policy

includes any policy, plan, certificate, contract, agreement, statement of coverage, rider or endorsement, binder, or other evidence of coverage which provides insurance or self-insurance, whether on an indemnity, reimbursement, service, or prepaid basis including, but not limited to, credit life insurance, credit health insurance and credit involuntary unemployment insurance, delivered or issued for delivery in this state, and any certificate issued pursuant to a group insurance policy delivered or issued for delivery in this state.

Reduction

includes any provision that reduces the amount of a benefit; a risk of loss is assumed but payment upon the occurrence of the loss is limited to some amount or period less than would be otherwise payable had the reduction not been used.

Related entity

shall include any person authorized to act on behalf of the insurer in connection with the business of insurance.

Shall

is mandatory.

MARKET CONDUCT EXAMINATION FACILITATION PLAN

OVERVIEW

American Bankers Insurance Group ("ABIG") shall facilitate all phases of a Market Conduct Examination. This compliance plan identifies the procedures utilized by ABIG to ensure that information shall be provided in a timely and efficient manner. ABIG shall include language in contracts with its accounts or clients, whether they are insurance agents, related entities or other persons, that shall require the insurance agent, related entity or person to comply with the requirements of this Compliance Plan

PRINCIPLE #1

ABIG shall facilitate the examination and coordinate the production of documentation.

Procedures Designed to Achieve Compliance with Principal #1

1. ABIG shall provide on the day the examiner arrives, or as otherwise required by the examining state, all pre-examination documents requested including items recovered offsite and/or held by related entities.
2. ABIG shall provide additional information and documentation requested during the examination accurately and completely in the time prescribed by the examiner.
3. ABIG shall provide access to any of ABIG's directors, officers and employees as required to facilitate the examination.
4. ABIG shall make available for inspection all internal audit reports and other documentation as required to complete the examination.

LICENSING COMPLIANCE PLAN

OVERVIEW

American Bankers Insurance Group ("ABIG") shall comply with all state licensing laws and regulations. This compliance plan identifies policies and procedures utilized by ABIG that assure that all insurance ~~contracts~~ policies shall be solicited, negotiated, effected or procured through properly licensed and appointed insurance agents, insurance producers or insurance enrollers. Further, the policies and procedures identified shall be designed to establish that ABIG and ABIG's related entities shall not pay compensation to any person who engages in the business of soliciting, negotiating, effecting or procuring insurance policies unless, and until, that person shall be a duly licensed and appointed (as applicable) agent, producer or registered enroller. ABIG shall include language in contracts with its accounts or clients that solicit, negotiate, effect or procure insurance policies, whether they are insurance agents, related entities or other persons, that shall require the insurance agent, related entity or person to comply with the requirements of this Licensing Compliance Plan.

PRINCIPLE #1

ABIG shall maintain policies and procedures that provide that all persons to whom compensation is paid in connection with the solicitation, negotiation, effectuation, or procurement of insurance policies have state resident and nonresident licenses and appointments, where applicable, as required by state laws and regulations.

Policies and Procedures Designed to Achieve Compliance with Principle #1

1. ABIG shall include, in ABIG's sales and marketing materials that shall be directed to any person who engages in the business of soliciting, negotiating, effecting or procuring insurance policies, information relating to the requirement(s) for insurance licensing.
2. After initiation of the contracting process with any person or related entity who will solicit, negotiate, effect or procure insurance policies, ABIG shall perform an analysis of licensing requirements for that person or related entity. The analysis performed by ABIG shall include any other related entities to whom the solicitation, negotiation, effectuation or procurement of insurance policies may be assigned, contracted or otherwise delegated to by the related entity.
3. As part of the contracting process, ABIG shall ensure that any person receiving compensation shall be licensed and appointed as required by state laws and regulations.

4. Compensation shall not be paid to any person unless the operational area(s) has, or have, obtained verification and documentation that the person has the insurance agent license and appointment supporting such compensation.
5. The amount of compensation paid shall not exceed that permitted by state laws or regulations.
6. ABIG shall retain a copy of the person's license and appointment history (if applicable) on file. If a person for any reason is no longer licensed or appointed, ABIG shall notify the state of the termination of the appointment and cease paying commissions as required by state laws and regulations.
7. ABIG shall periodically audit the licensing status of all related entities such as, but not limited to, creditors, group trust or master policyholders to assess licensing compliance and shall process terminations and cease paying compensation to those persons not properly licensed or appointed in accordance with state laws and regulations.

PRINCIPLE #2

In connection with activities relating to the telemarketing of insurance policies, ABIG's principles shall be as follows:

1. Telemarketing persons acting on ABIG's, or ABIG's related entities, behalf shall have in and maintain, in accordance with state laws and regulations, insurance agent licenses and appointments, resident in the jurisdiction in which they are principally located and/or domiciled, and shall obtain nonresident agent licenses and appointments in all other jurisdictions that permit such nonresident agent licensing and appointments.
2. For insurance policies that are telemarketed, the individual telemarketers (telephone service representatives or TSRs) shall not directly, or indirectly, solicit, or negotiate, effect or procure insurance policies unless licensed and appointed in accordance with state laws and regulations.

Policies and Procedures Designed to Achieve Compliance with Principle #2

1. The contractual agreement, between the related entity engaged in telemarketing and ABIG, shall include Principles #1 and #2.
2. All policies and procedures applicable to Principle #1 shall apply to Principle #2.

PRINCIPLE #3

In connection with insurance policies that are marketed on a "personal solicitation" basis, ABIG shall maintain policies and procedures that ensure that all individuals who solicit, negotiate,

effect or procure insurance policies have the appropriate licenses and appointments for the product(s) being sold in the jurisdictions in which the solicitation, negotiation, effectuation or procurement occurs or as otherwise required by state laws and regulations.

Policies and Procedures Designed to Achieve Compliance with Principle #3

1. Principles #1 and #3 shall be communicated, in writing, to all related entities or persons who participate in the insurance distribution process. This includes accounts, creditors, and master policyholders that have an existing contractual relationship with ABIG.
2. ABIG shall obtain, on a related entity-by-related entity (account-by-account) basis, the names of all persons employed or affiliated with such related entities, who solicit, negotiate effect or procure ABIG insurance policies. Such persons shall be identified by specific physical location (address).
3. ABIG shall conduct a related entity-by-related entity audit to assess licensing compliance in connection with the marketing of insurance policies on a personal solicitation basis to ensure that persons who are engaged in solicitation, negotiation, effectuation and procurement activity have the requisite agent's license and appointment as required by state laws and regulations.
3. All policies and procedures applicable to Principle #1 shall apply to Principle #3.

CLAIMS COMPLIANCE PLAN

OVERVIEW

American Bankers Insurance Group ("ABIG") shall comply with all claim and claim-related state laws and regulations of the various states. In addition to ensuring compliance with state laws and regulations, ABIG's procedures shall ensure that insureds and claimants shall be treated equitably and that claims shall be handled in a timely manner. ABIG shall include language in contracts with its accounts or clients that handle or settle claims, whether they are insurance agents, related entities or other persons, that shall require the insurance agent, related entity or person to comply with the requirements of this Claims Compliance Plan

PRINCIPLE #1

ABIG shall maintain procedures to ensure that all claims shall be settled by ABIG, or ABIG's related entities, in accordance with the laws and regulations of the various states.

Policies and Procedures Designed to Achieve Compliance with Principle #1

1. ABIG, or ABIG's related entities that settle claims, shall provide to claims representatives periodic training on the claim and claim-related laws and regulations for which the claim representative is responsible.
2. ABIG shall continuously monitor and communicate new regulatory requirements to all affected claims representatives including those of ABIG's related entities.
3. ABIG shall establish and maintain contacts with state regulatory authorities.
4. ABIG shall audit a sample of claim files of each claim representative, including those of ABIG's related entities, for compliance with the claim and claim-related laws and regulations for which the claim representative is responsible.

PRINCIPLE #2

ABIG shall maintain procedures to ensure that all communications with insureds and claimants shall be handled in accordance with the claim and claim-related laws and regulations of the various states.

Policies and Procedures Designed to Achieve Compliance with Principle #2

1. All written and verbal communications between ABIG, or ABIG's related entities, and the insureds/claimants shall be sufficiently documented in the claim file to comply with state laws and regulations
2. Documents received by ABIG, or ABIG's related entities, shall identify the date received with either a calendar or Julian date.
3. Acknowledgments of new claims shall be sent to the insured or claimant within ten (10) business days or the time period required by each state, whichever is less, after receipt by ABIG, or ABIG's related entities. Acknowledgments shall provide all the information required by each state.
4. ABIG, or ABIG's related entities, shall respond to all communications from the insured within ten (10) business days or the time period required by each state, whichever is less.
5. ABIG, or ABIG's related entities, shall respond to all State insurance regulatory requests relating to claims within ten (10) business days or the time period required by each state, whichever is less.
6. If a claim investigation cannot be completed within thirty (30) business days or the time period required by each state, whichever is less, a letter shall be sent to the insured or claimant advising the reason for the delay. If additional information is needed, it shall be outlined in the letter and the insured advised as to when this information is expected to be received. A follow-up letter shall be sent within thirty (30) business days or the time period required by each state, whichever is less, and reasonable communication efforts shall be maintained thereafter, or as otherwise required by state laws or regulations, until the claim is concluded.
7. ABIG, or ABIG's related entities, shall send claim forms to the insured within ten (10) business days or the time period required by each state, whichever is less, of the date ABIG receives notice of the claim. Instructions on how to complete the form shall be included.
8. Fraud statements shall appear on claim forms for states requiring such statements.
9. ABIG, or ABIG's related entities, shall provide acceptances and rejections of proofs of loss in writing.
10. Compliance with the foregoing procedures shall be reviewed as part of the audits referenced in Principle #1, Item 3.

PRINCIPLE #3

ABIG shall maintain procedures to ensure that all claim files, including those of ABIG's related entities, shall include detailed claim file documentation. All claim file documentation must be legibly dated. Claim file data shall be accessible and retrievable.

Policies and Procedures Designed to Achieve Compliance with Principle #3

1. Claim documents shall be maintained in an accessible and retrievable form.
2. Files shall include documentation sufficient to clearly and completely reflect all events and actions.
3. Written communication regarding any claim shall reflect the date of the communication and provide reasonable detail.
4. ABIG shall set up claim files and systems to capture the claims file data required by the various states (for example, claim number, line of coverage, date of loss, date of payment and date closed, etc.). Such data shall be retrievable in report form as needed by the various states.
5. Compliance with the foregoing procedures shall be reviewed as part of the audits referenced in Principle #1, Item 3.

PRINCIPLE #4

ABIG shall maintain procedures to ensure that all denials shall be handled in compliance with the claim and claim-related laws and regulations of the various states.

Policies and Procedures Designed to Achieve Compliance with Principle #4

1. All claims shall be properly and thoroughly investigated prior to denial to ensure that all claims shall be processed in compliance with the time periods required by the claim and claim related laws and regulations of the various states.
2. All investigations shall be concluded within thirty (30) business days or the time period required by each state, whichever is less, whenever possible. In those situations where the investigation cannot be concluded within that time frame, a letter shall be sent to the insured or claimant advising the reason for the delay. If additional information is needed, it shall be outlined in the letter and the insured advised as to when this information is expected to be received. A follow-up letter shall be sent within thirty (30) business days or the time period required by each state, whichever is less, and reasonable communication efforts shall be maintained thereafter, or as otherwise required by state laws or regulations, until the claim is concluded.
3. Denials of coverage shall be communicated in writing.

4. A copy of all denial letters shall be retained in the claim files.
5. Denial letters shall contain the following information:
 - the reason for the denial
 - the name, address, and telephone number of the claim representative who is handling the claim
 - the insured's claim number and policy number
 - the policy provision upon which the denial is based
 - the name, address, and telephone number of the insurance department (in states where required).
6. Compliance with the foregoing procedures shall be reviewed as part of the audits referenced in Principle #1, Item 3.

PRINCIPLE #5

ABIG shall maintain procedures to ensure that all claims shall be settled in accordance with the appropriate policy under which the claims are made and any applicable state laws and regulations.

Policies and Procedures Designed to Achieve Compliance with Principle #5

1. Policy forms shall be available for review by the claims representative handling the claim.
2. Endorsements and policy forms shall be reviewed by the claims representative to ensure that payments shall be made in accordance with the applicable policy provisions.
3. Policy forms shall be reviewed to ensure that all amounts due under all coverages shall be paid in accordance with the applicable policy provisions.
4. State regulations shall be reviewed to ensure that any additional fees and interest shall be properly paid.
5. Compliance with the foregoing procedures shall be reviewed as part of the audits referenced in Principle #1, Item 3.

PRINCIPLE #6

ABIG shall maintain procedures to ensure that claim settlements (partial and full) shall be in compliance with the claim and claim-related laws and regulations of the various states.

Policies and Procedures Designed to Achieve Compliance with Principle #6

1. Documentation related to settlement payments shall clearly indicate under what coverage payment is made. The information shall be provided as required by the claim and claim-related laws and regulations of the various states.
2. Sales tax, fees, interest, etc., shall be included in settlement payments where required by state laws and regulations.
3. Valued policy laws shall be observed in those states which have enacted statutes to address these types of losses.
4. Municipal liens shall be recognized in those states which have enacted statutes to address these types of losses.
5. Settlement payments shall be issued within five (5) days of receipt of all the information needed to process a claim or documentation shall be in the claim file providing a reasonable justification for the delay.
6. Partial settlements or settlement offers shall include a written explanation as to the basis of the settlement or settlement offer.
7. Compliance with the foregoing procedures shall be reviewed as part of the audits referenced in Principle # 1, Item 3.

INSURANCE OPERATIONS COMPLIANCE PLAN

OVERVIEW

American Bankers Insurance Group ("ABIG") shall comply with all state laws and regulations including, but not limited to, those pertaining to rates, underwriting, document retention, refunding, cancellations and renewals. ABIG shall include language in contracts with its accounts or clients, whether they are insurance agents, related entities or other persons, that shall require the insurance agent, related entity or person to comply with the requirements of this Insurance Operations Compliance Plan.

PRINCIPLE #1

Underwriting and rating files shall include detailed documentation to support the underwriting and rating practices of ABIG or ABIG's related entities.

Policies and Procedures Designed to Achieve Compliance with Principle #1

1. ABIG, or ABIG's related entities, shall retain documentation to permit reconstruction of all activities relative to each underwriting and rating file including insurance certificate underwriting and rating files.
2. ABIG shall periodically audit related entities that maintain underwriting and rating files to ensure compliance.
3. Contracts with related entities shall include a provision requiring record retention and record production as required by state laws and regulations and this Compliance Plan.
4. ABIG shall record the name of the second beneficiary, for life insurance purposes as required by state laws and regulations.

PRINCIPLE #2

ABIG shall maintain control over policy and certificate numbers assigned to a creditor, group, trust or master policyholder.

Policies and Procedures Designed to Achieve Compliance with Principle #2

1. ABIG shall maintain records of policy and certificate numbers assigned to related entities.

2. ABIG shall periodically audit the records of related entities to determine if the number of certificates issued matches the number of certificates reported to ABIG.

PRINCIPLE #3

Policy contract provisions, policy form and rate filing provisions related to cancellations, non-renewals, and refunds shall be followed and premium refunds calculated and paid according to the method approved or required by each state.

Policies and Procedures Designed to Achieve Compliance with Principle #3

1. Refund methods by product shall be periodically audited for compliance with state laws and regulations and updated as required.
2. ABIG shall maintain information on and comply with state laws and regulations regarding the number of days of advance notice required for cancellations and non-renewals. ABIG shall require ABIG's related entities to comply with this provision.
3. ABIG, or ABIG's related entities, shall provide specific underwriting or other reason(s) for cancellation or non-renewal of coverage.
4. ABIG shall periodically audit related entities to ensure compliance with Principle #3.

PRINCIPLE #4

ABIG shall comply with state requirements with respect to the type and amount of lender-placed coverage on real property placed directly by ABIG or through ABIG's related entities.

Policies and Procedures Designed to Achieve Compliance with Principle #4

1. ABIG, or through ABIG's related entities, shall, with lender-placed coverage on real property, cover the dwelling only, and the amount of coverage shall not exceed the replacement cost, if required by state laws and regulations.
2. ABIG shall periodically audit related entities to ensure compliance with the required limitations on the type and amount of lender-placed coverage.

POLICY FORMS AND RATES COMPLIANCE PLAN

OVERVIEW

American Bankers Insurance Group ("ABIG") shall comply with state laws and regulations relating to policy forms and rates. ABIG shall include language in contracts with its accounts or clients, whether they are insurance agents, related entities or other persons, that shall require the insurance agent, related entity or person to comply with the requirements of this Policy Forms and Rates Compliance Plan.

PRINCIPLE #1

ABIG shall maintain procedures to ensure that all policy forms shall be filed and approved as required by state laws and regulations.

Policies and Procedures Designed to Achieve Compliance with Principle #1

1. ABIG shall establish and maintain regular contacts with state regulatory authorities.
2. All forms requiring filing and approval prior to use shall be filed with and approved by the respective states prior to use.
3. As required by legislative or regulatory changes, affected policy forms shall be filed and approved in the state where the change originates.
4. Filed and approved forms shall be released to the affected departments and shall be implemented within the time requirements established by the respective states.

PRINCIPLE #2

ABIG shall maintain procedures to ensure that premium rates, including premium rate deviations, and rating guidelines shall be filed and approved as required by state laws and regulations.

Policies and Procedures Designed to Achieve Compliance with Principle #2

1. All premium rates and rating guidelines requiring filing and approval prior to use shall be filed with and approved by the respective states prior to use.

2. ABIG shall prepare for use by related entities, as needed, rating aides (for example, formulae, factors, rate tables, etc.) accurately utilizing the rates and rating guidelines approved by the respective states.
3. As required by legislative or regulatory changes, affected rates and rating guidelines shall be filed in the state where the change originates.
4. Filed and approved rates and rating guidelines shall be released to the affected departments and related entities and shall be implemented within the time requirements established by the respective states.

PRINCIPLE #3

ABIG shall maintain procedures to ensure that such forms and rates which are filed and approved shall be used as filed and approved

Policies and Procedures Designed to Achieve Compliance with Principle #3

1. ABIG shall periodically perform an audit of policy forms in use to ensure compliance with filed and approved forms.
2. ABIG shall periodically perform audits of its various processing systems to ensure that the rates being used shall be in compliance with filed and approved rates.
3. ABIG shall review daily system edit reports to identify and correct any discrepancies between the filed and approved premium rates in ABIG's systems and the premium reported by related entities.
4. ABIG shall periodically perform audits of ABIG's related entities to ensure that forms, rates and rating guidelines used by the related entities shall be in compliance with filed and approved forms and rates.

PRINCIPLE #4

ABIG shall maintain records of forms and rates used or in use.

Policies and Procedures Designed to Achieve Compliance with Principle #4.

1. ABIG shall maintain, by state and product, files containing documentation of filed and approved forms and rates.

2. ABIG shall maintain samples of forms used or in use.

REPORTING COMPLIANCE PLAN

OVERVIEW

American Bankers Insurance Group ("ABIG") shall provide statistical information and other periodic reports to state insurance departments and reporting bureaus on an accurate and timely basis in accordance with the reporting requirements of the respective states.

PRINCIPLE #1

ABIG shall comply with all state filing laws and regulations and their requirements in a timely and accurate manner.

Policies and Procedures Designed to Achieve Compliance with Principle #1

1. ABIG shall maintain a current and accurate centralized list of filings required by the states. The list shall include the due date of the filing as required by the state.
2. ABIG shall review regulatory and industry publications (for example, laws, regulations, bulletins), establish and maintain contacts with regulatory authorities, and otherwise keep abreast of new and/or revised reporting requirements.
3. The lists of filings required by the respective states shall be updated as needed based upon the required review referenced above.
4. ABIG shall file timely and accurate reports and other statistical information as required by state laws and regulations.

PRINCIPLE #2

ABIG shall ensure that data processing systems and compliance reports shall be modified to meet current, new or modified regulatory requirements.

Policies and Procedures Designed to Achieve Compliance with Principle #2

1. ABIG shall review current, new or modified regulatory requirements and shall revise data processing procedures to capture and retain data required to be reported.
2. ABIG shall modify report formats and content to accurately produce current and newly required regulatory information in compliance with the state laws and regulations.

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3. ABIG shall update internal documentation to ensure that ABIG correctly implements required regulatory changes in compliance with state laws and regulations.

ADVERTISING COMPLIANCE PLAN

OVERVIEW

American Bankers Insurance Group ("ABIG") shall market products in compliance with state laws and regulations, providing clear and meaningful disclosures to consumers and avoid any practices that are, or could be, viewed as unfair or deceptive acts. ABIG shall include language in contracts with its accounts or clients, whether they are insurance agents, related entities or other persons, that shall require the insurance agent, related entity or person to comply with the requirements of this Advertising Compliance Plan

PRINCIPLE #1

ABIG shall only market insurance policies that have been approved for company use by the appropriate state regulatory authority. All products shall be marketed with the rates and forms filed and approved in accordance with state laws and regulations.

Policies and Procedures Designed to Achieve Compliance with Principle #1

1. Advertising shall only include, and occur in, those states for which the product has been filed and approved in accordance with state laws and regulations.
2. Advertising for each program shall be updated for all applicable legal and regulatory changes as they occur.

PRINCIPLE #2

All marketing materials shall be developed in accordance with the state advertising laws, regulations and standards. All solicitations shall clearly state the coverage(s) being offered and the fact that the solicitation is for insurance. All solicitations shall clearly disclose the material policy provisions, exclusions, exceptions, limitations and cost.

Policies and Procedures designed to Achieve Compliance with Principle #2

1. All ABIG staff responsible for advertising shall comply with state laws and regulations regarding advertising. This provision includes advertising developed, produced, or conducted by ABIG's related entities for ABIG insurance policies.

2. All advertising, including scripts, shall be approved by ABIG's legal staff for compliance with state laws and regulations regarding advertising. A record of the approval shall be available for inspection by state examiners.
3. Material limitations, exceptions or exclusions of a policy shall be disclosed in advertising including scripts.
4. Advertising shall clearly disclose the states in which one or more coverages is not available.
5. All advertising including scripts shall clearly state the insurance coverage being offered.
6. Any policy for which a medical exam may be required shall have such requirement disclosed in the advertising material including scripts.
7. The underwriting insurance company, or companies, shall be disclosed in all advertising including scripts.
8. The writing agent shall be identified in all advertising including scripts where required by state law or regulations.
9. All sources of statistical information shall be disclosed in all advertising including scripts.
10. All advertising materials including scripts shall disclose the financial interest in the company of a person, group or association making a testimonial, or a commendatory statement concerning the insurer.
11. All disclosures shall be in at least 6 point type or larger as may otherwise be required by state law or regulation.
12. There shall be compliance posters placed on the walls for employees to be reminded of the major advertising and disclosure issues.
13. Any obsolete advertising shall be returned to ABIG to avoid continued use.

PRINCIPLE #3

ABIG shall maintain proper records (samples) of all advertising, including that of ABIG's related entities, and including scripts, in accordance with federal and state guidelines and requirements. These records shall be available for inspection and produced in a timely manner as required by regulatory authorities.

Policies and Procedures designed to Achieve Compliance with Principle #3

1. ABIG shall maintain an advertising file that includes all advertising, including scripts, created by ABIG or ABIG's related entities.
2. ABIG shall maintain a source file of all quotes and statistics used in advertising, including scripts.

PRINCIPLE #4

All telemarketing campaigns shall be conducted in accordance with the provisions of all state requirements in order to market products in compliance with state laws and regulations.

Policies and Procedures designed to Achieve Compliance with Principle #4

1. ABIG shall perform extensive "due diligence" on any person with which ABIG is to contract. This due diligence review shall include, but not be limited to, checking for:
 - a. Proper training procedures in place that include product, sales, and compliance training.
 - b. Call monitoring auditing capability.
2. ABIG shall perform regular quality monitoring of the calls. This quality monitoring shall include extensive review of all compliance issues regarding licensing, premiums, benefits, eligibility, exclusions and any other required disclosures applicable to the offered product.
3. The customer shall be eligible for the coverage.
4. Before contracting with any person involved in the telephone solicitation, negotiation, effectuation or procurement of insurance policies, ABIG shall perform on-site audits to determine that procedures are in place to meet compliance requirements; and shall conduct on-site audits every six months.
5. All telemarketing agencies and operations shall be required to strictly adhere to insurance telemarketing scripts and shall be monitored periodically.

PRINCIPLE #5

ABIG shall maintain clear and accurate records of all telemarketing sales, whether by ABIG or ABIG's related entities, and have them readily available for state examination purposes.

Policies and Procedures Designed to Achieve Compliance with Principle #5

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1. **All sales shall be recorded and kept in a retrievable format in accordance with any applicable record retention period required by state laws or regulations.**

COMPLIANCE PLAN CONSTRUCTION

Canons of construction

In construing this Compliance Plan, the following canons of interpretation are to govern, unless their observance would involve a construction inconsistent with the manifest intent of the states, or repugnant to the context of the Compliance Plan:

(1) Words and phrases are construed according to rules of grammar and according to their common and approved usage; but technical words and phrases and such others as have acquired a special meaning, or are defined in this Compliance Plan, are construed according to such special meaning or their definition;

(2) The singular includes the plural; and the plural, the singular; words of one gender include the other genders; words used in the past or present tense include the future;

(3) General words are construed to be restricted in their meaning by preceding particular words;

State intent controls

The object of all interpretation and construction of this Compliance Plan shall be to ascertain and effectuate the intention of the States. Every clause shall be construed, if possible, to give effect to all its provisions. When the words of a clause in their application to an existing situation are clear and free from all ambiguity, the letter of the clause shall not be disregarded under the pretext of pursuing the spirit. When the words of a clause are not explicit, the intention of the States may be ascertained by considering, among other matters:

(1) The occasion and necessity for the clause;

(2) The circumstances under which the clause was included by the States;

(3) The mischief to be remedied;

(4) The object to be attained;

(5) The consequences of a particular interpretation;
and

(8) The contemporaneous multistate history.

Presumptions in ascertaining State intent. In ascertaining the intention of the States the several States and their courts may be guided by the following presumptions:

- (1) The States do not intend a result that is absurd, impossible of execution, or unreasonable;
- (2) The States intend the entire Compliance Plan to be effective and certain;
- (3) The States do not intend to violate the constitution of the United States or of the several states;
- (4) When a court of last resort for the United States has construed the language of a law of the United States, the States intend the same construction to be placed upon such language herein;
- (5) When a court of last resort for a state has construed the language of a law of that state, the States intend the same construction to be placed upon such language for that state herein; and
- (6) The States intend to favor the public interest as against any private interest.

Grammar; syntax; ellipsis

Grammatical errors shall not vitiate a clause. A transposition of words and clauses may be resorted to when a sentence is without meaning as it stands. Words and phrases which may be necessary to the proper interpretation of a clause and which do not conflict with its obvious purpose and intent nor in any way affect its scope and operation may be added in the construction thereof.

Irreconcilable provisions

Particular controls general. When a general provision in a clause is in conflict with a special provision in the same or another clause, the two shall be construed, if possible, so that effect may be given to both. If the conflict between the two provisions be irreconcilable, the special provision shall prevail and shall be construed as an exception to the general provision,

When, in this Compliance Plan, several clauses are irreconcilable, the clause last in order of position shall prevail.